

## Investment Review

For 2019 The Hereford Funds Bin Yuan Greater China Fund (Share Class L1) recorded a net return of 30.6% vs the benchmark return of 29.74%. Bin Yuan estimate circa 18% of the rise was contributed by earnings growth and circa 12% contributed by PE expansion, reversing the 26% of PE detachment in 2018. The sub fund appreciated 6.07% for the month of December (net of fees) compared to an 8.22% return for the benchmark. Since inception, the Sub-Fund recorded a net return of -1.76%, however, if we exclude the impact of -6.0% due to RMB depreciation and -4% due to subscription in October 2018, our performance driven by stock price movement and yield is an increase of 8.7%. During the same period, the benchmark was down by 3% in USD term. At the end of December, the Sub-Fund invested primarily in the Consumer, Financials and Communication Services sectors, with little weights in the Energy, Utilities, Materials and Real Estates sectors. For the month, the Sub-Fund underperformed the benchmark by 2.15%. Hong Kong market had strong rebound, especially for high beta sectors such as property, brokers and construction, which we largely underweighted. In terms of stock selection, we did well in Consumer Discretionary and Information Technology while Industrials lagged. In December, the positions that contributed the most to the portfolio's return were Chaozhou Three Circle, Tencent and Oppein. The positions that contributed the least in the month were Nari Technology, Vitasoy and C&S Paper.

## Manager's Commentary

2020 should be a year where the Chinese equity market experiences steady value appreciation and lower volatility. After past few years of supply side reform, money supply reduction and deleveraging, the balance sheets at both corporate and government levels are much healthier. This will immunize the market from the effects of trade talks. Consumer spending shall continue in 2020 with modified inflation, and government will gradually provide liquidity to ensure growth stays close to 6%. We expect corporate earnings to improve for the year. The resulting improved investor confidence should support a healthy equity market valuation.

China has gained significant social and economic benefits from the domestic reform and the wave of globalization. China today stands at the second in total GDP and has the largest middle-class population with around 139 million people. We believe continuous household living standard upgrade and labor productivity improvement through innovative technology application will be the two major areas of focus.

China has transformed from an export-oriented economy to a more domestic consumer living standard improvement economy. In the past thirty years, 545 million people moved to live in urban and this progress aided GDP growth. By the end of the 2029, this urbanization level is expected to rise from 60% to 70%, resulting in 1 billion people that will have rising purchasing power - an average of estimated annual disposable income over 11,000 USD per capita. The number of middle-class in China will soar from 139 million to 428 million. Generation Z (330 million people born between 1990-2010) will grow to be the mainstream consumption group with much higher capability and willingness to spend money. We estimate the total consumption market will reach 72 trillion RMB by the end of next decade at a compound annual growth rate of 6%.

Thanks to globalization, China now possesses a well-trained labor force. In addition to civil engineers, it has an internationally competitive team of experts and software engineers in information technology. Chinese software engineers have and can continue to develop top-tier internet-based platforms. The huge domestic market also serves as a scalable demand to monetize, incentivize, and reinforce innovation. China today has the most advanced online-based economy. This trend shall continue, which will offer vast investment opportunities in the next decade.

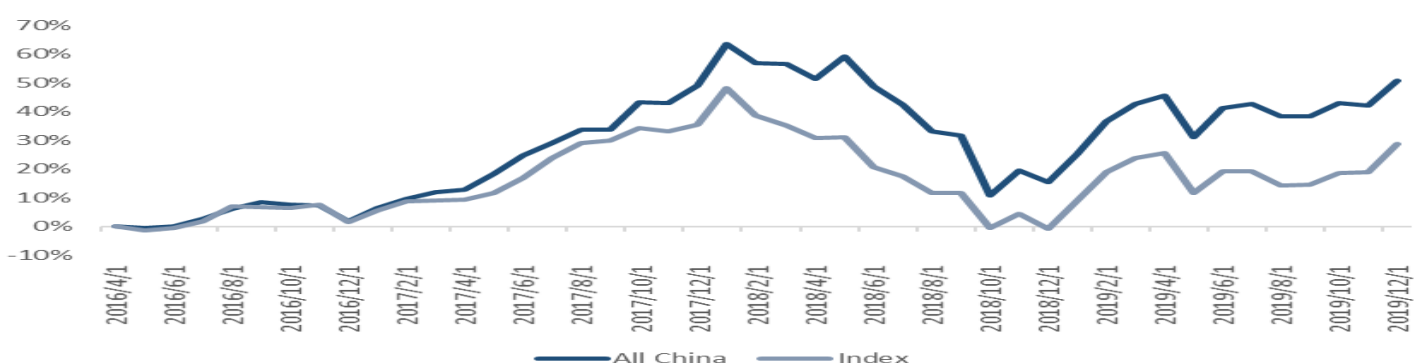
The visible benefits that information technology improvement has contributed to the global economy is the massive increase in social and business efficiencies. This efficiency growth has lifted labor productivity and smoothed out most of the cyclical factors that were experienced in the industrial dominated economy of the past. The advancement in labor productivity and social efficiency have brought an extended period of higher income growth associated with lower consumer headline inflation, which shall stimulate consumption and lead to real wealth creation. The companies that are focused on the customer and value creation through innovation will be Bin Yuan's investment focus.

## Key Information

NAV (31/10/19) US\$ 98.24 (L1) /98.91 (L2)/106.88 (CB)/113.41 (CI) Strategy Assets US\$ 462 m<sup>(a)</sup>  
 Total Fund Size US\$ 151.7m Fund Launch Date 16-Apr-18

Monthly Performance (%)														
	2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2019
Bin Yuan GC Fund	-24.8	8.4	9.1	4.5	1.9	-9.9	7.9	1.0	-3.1	0.1	3.3	-0.5	6.1	30.6
Index <sup>(c)</sup>	-25.3	9.9	9.0	4.3	1.2	-11.1	6.8	-0.0	-4.1	0.4	3.4	0.4	8.2	29.7

Period Performance (%)						
	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy <sup>(b)</sup>	30.60	-22.46	44.69	1.07	50.90	11.88
Index <sup>(c)</sup>	29.74	-26.64	33.37	1.47	28.81	7.15



## Top Ten Holding

Rank	Company	Weight	Rank	Company	Weight
1	CM Bank – H	6.97%	2	Alibaba	6.15%
3	Ping An – H	5.85%	4	Jiangsu Yuyue	5.49%
5	Tencent	5.40%	6	C&S Paper Co.	5.04%
7	Bilibili	4.63%	8	Gree Electric – A	4.36%
9	Oppein Home	4.09%	10	Bank of Shanghai	4.02%

## Investment Objective

The investment objective of the Compartment is to provide long term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Greater China Companies, as defined hereafter.

Since Inception <sup>(d)</sup>	Bin Yuan All China	Index
Volatility	15.81%	16.85%
Sharp Ratio	0.84	0.42
Information Ratio	1.10	
Tracking Error	5.57%	
Beta	0.94	
PE ex ADRs	15.30	

Sectoral Breakdown	% of Assets
Consumer Discretionary	25
Consumer Staples	17
Financials	17
Communication Services	10
Information Technology	10
Industrials	10
Health Care	10
Market Breakdown	% of Assets
A Share	56
Hong Kong (Discounted Dual Listing)	15
Hong Kong	14
US ADR	14
Under Discovered Holding	% of Assets
Under Discovered	53
% of A share holding with foreign ownership below 10%	70
Mid Cap Exposure	42

\* Mid Cap stands for the market capitalization is below 15 Billion USD.

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
Period	20081031	20130630	20160229	20191231	20191231	20191231
Forward PE (X)	18.2	16.7	18.5	18.0	14.0	25.3
Forward PB (X)	2.7	2.7	3.1	3.6	1.8	4.3
Forward Div. Yield (%)	1.6	1.9	1.9	1.7	2.1	1.5
Forward ROE (%)	14.7	16.0	16.6	20.1	13.0	17.1
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	19.2	16.5	15.6
Forward PEGY	0.8	0.6	0.8	0.9	0.8	1.5
FCF Yield	3.0	5.0	10.0	5.1	10.5	2.6

## UCITS Fund Performance (%)

YEAR	2018	2019												
MONTH		01	02	03	04	05	06	07	08	09	10	11	12	ITD
Net Performance (Local FX)	-17.3	7.3	9.1	4.6	2.0	-8.5	7.4	0.6	-0.9	-0.1	2.5	-0.7	5.5	8.7
FX Impact	-4.8	1.1	0.1	-0.2	-0.1	-1.5	0.5	0.4	-2.2	0.2	0.8	0.1	0.6	-6.0
Subscription Impact	-4.0													-4.0
Net Performance	-24.8	8.4	9.1	4.5	1.9	-10.0	7.9	1.0	-3.1	0.1	3.3	-0.5	6.1	-1.8
Net Performance Excl. Subscription Impact	-21.2	8.4	9.1	4.5	1.9	-10.0	7.9	1.0	-3.1	0.1	3.3	-0.5	6.1	2.9
Benchmark	-25.3	9.9	10.0	4.3	1.2	-11.1	6.8	-0.0	-4.1	0.4	3.4	0.4	8.2	-3.1

Fund Codes				
Share Class	L1	L2	CB	CI
Bloomberg	HFBYL1U LX	HFBYL2U LX	HFBYCBYLX	HFBYCIU LX
TK	040149745	040149751	040149740	040149734
ISIN	LU1778255734	LU1778256203	LU1778255494	LU1778254844
Lipper ID	68483958	68483959	68543207	
Sedol	BFXVVR8	BFXVVS9		

Fund Details	
Dealing Day <sup>(d)</sup>	Daily
Dividends	None – income accumulated within the fund
Investment Manager	Bin Yuan Capital Room 1505, 15/F, 299QRC 287-299 Queen's Road Central Sheung Wan, Hong Kong
Management Company	FundPartner Solutions (Europe) S.A. 15, Avenue John F Kennedy , L-1855 Luxembourg
Custodian	Pictet & Cie (Europe) S.A. 15, Avenue John F Kennedy, L-1855 Luxembourg
Legal Advisors	Elvinger Hoss Prussen S.A. 2, Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte Audit S.à r.l. 560, route de Neudorf, L-2220 Luxembourg

### Order Transmission Information

FundPartner Solutions (Europe) S.A.  
15, Avenue John F Kennedy,  
L-1855 Luxembourg  
Via fax +352 46 71 71 7667 or SWIFT PICTLULXTAS

Annual Management Charge	
Share Class A	1.25%
Share Class B	1.00%
Share Class CI, CB & L1	0.75%
Share Class L2	0.25% with 15% performance fee

Minimum Investment	
Share Class A & L	\$100,000 initial/\$10,000 subsequent
Share Class B	\$5,000,000 initial/\$100,000 subsequent
Share Class CI & CB	\$10,000,000 initial/\$100,000 subsequent

Footnote:

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
- (b) The graph depicts the Bin Yuan All China Strategy (Reference Strategy) from inception in May 2016 to the fund launch on 16/4/18. After launch date actual fund data of Share Class L1 is used. The fund follows the same strategy as the Reference Strategy and simulated returns of the Reference Strategy are net of a modeled fee of 0.75% pa and expenses of 0.40%.
- (c) MSCI Inc. discontinued MSCI All China Index and the transition to MSCI China All Shares Index took effect on 27 November 2019. MSCI All China Index Total USD return including dividends (Bloomberg ticker M1ACN Index) was used as benchmark from the inception of April 2018 to November 26, 2019. MSCI China All Shares Net Total Return (Bloomberg ticker MXCNANM Index) is used as benchmark since November 27, 2019.
- (d) Data depict the Bin Yuan All China Strategy since inception of May 2016 as of April 2018. The fund follows the same strategy. After a longer period after the fund launch, we will use the Hereford Funds Bin Yuan Greater China Fund Share Class L1 in the table.